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Egypt

Dairy and Product

Annual

2002

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Report Highlights:
Total Egyptian fluid milk production in 2001 increased by about 19 percent over the 2000 level due to expansion in the dairy sector. NFDM imports decreased in 2001 but are expected to rebound as safeguard duties diminish.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1], EG

Fluid Milk

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Milk, Fluid					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Cows In Milk	1320	1560	1325	1600	0	1620
Cows Milk Production	1400	1600	1580	1685	0	1690
Other Milk Production	1800	2200	1820	2315	0	2510
TOTAL Production	3200	3800	3400	4000	0	4200
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	3200	3800	3400	4000	0	4200
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	1300	1548	1240	1629	0	1700
Factory Use Consum.	1600	1900	1850	2000	0	2100
Feed Use Dom. Consum.	300	352	310	371	0	400
TOTAL Dom. Consumption	3200	3800	3400	4000	0	4200
TOTAL DISTRIBUTION	3200	3800	3400	4000	0	4200
Calendar Yr. Imp. from U.S.	0		0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Total Egyptian fluid milk production in 2001 is estimated at 3.8 million MT, or about 19 percent over the 2000 level. Fluid milk production for 2002, is expected to increase to about 4 MMT. Egyptian fluid milk production has been steadily increasing in recent years, but still falls short of demand. The recent increase in milk production was mostly due to (1) expansion of modern dairy farms that utilize high producing imported cows, (2) increase in milk prices following the imposition of 45 percent safeguard duty on milk powder imports in October 2000. In April 2001, the Egyptian government reduced its safeguard duty on imported powder milk to 15 percent. This tariff was reduced to 7 percent in April 2002 and its scheduled to be reduced to 3 percent in April 2003. As a result, fluid milk prices increased during the second half of 2000 from LE.60- .65 to LE.85-.90 per Kg by the end of 2000. Fluid milk prices are currently at LE 1.05 per Kg (for 3 percent milk fat), and could reach LE 1.20 per Kg after adding quality premiums such as fat content. Fluid milk prices are expected to remain at or near the current levels. This is primarily due to an expansion in UHT milk, pasturized milk and flavored milk production by dairy operations. Most industry experts estimate that large modern dairy facilities provide about 15 percent of the national commercial milk production.

Cheese

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Cheese					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	0	0	0	0	0	0
Production	385	420	387	423	0	450
Intra EC Imports	0	0	0	0	0	0
Other Imports	15	9	15	10	0	12
TOTAL Imports	15	9	15	10	0	12
TOTAL SUPPLY	400	429	402	433	0	462
Intra EC Exports	0	0	0	0	0	0
Other Exports	2	2	2	3	0	4
TOTAL Exports	2	2	2	3	0	4
Human Dom. Consumption	398	427	400	430	0	458
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	398	427	400	430	0	458
TOTAL Use	400	429	402	433	0	462
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	400	429	402	433	0	462
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Between 60 and 65 percent of Egypt's total milk production as well as most of the imports of nonfat dry milk (NFDM) are utilized in commercial cheese production, while the rest is divided between fresh milk consumption, on farm cheese manufacturing and the production of UHT milk. The most important type of cheese produced in Egypt is feta. There are two types of feta cheese produced in Egypt depending on the raw materials used in the production.

The first type is an inexpensive white cheese which is produced from imported NFDM and vegetable oil (palm oil). The second category is the production of more expensive white cheese which is produced from fresh milk. In 2001, feta cheese production, both commercial and homemade, represented about 75 percent of the cheese produced and consumed in Egypt. Egypt's total annual production of feta cheese in 2001 is estimated at about 420,000 MT, 80 percent of which is produced by small unlicenced factories (about 5000 factories) from unpasteurized milk, despite an existing government standard (yet to be enforced) which prohibits the production of feta cheese from unpasteurized milk. The balance of cheese production is produced by fairly modern factories. The remaining production is spread among hard romano (65,000 MT), processed cheese (30,000 MT), small but growing mozzarella cheese production, and very small amounts of blue and cheddar cheese. Total cheese production in 2002, is expected to increase slightly over the 2001 level due to the expected increase in fresh milk production. Most of this increase is expected to occur in the production of hard cheese since the production of hard cheese relies more heavily on fresh milk.

Under the current economic reform policy, the government of Egypt continues to offer for sale the only remaining public sector dairy company (Misr Dairy which has 14 small plants) to private sector buyers. Recently, only one factory in Alexandria has been sold to a private sector investor. According to Ministry of Industry officials, only three out of the 14 factories are currently operating.

Consumption

Cheese is an important part of the Egyptian diet and many people eat cheese at least with one meal a day. Most cheese is consumed either directly or with bread. Annual per capita consumption of cheese is estimated at around 6 kilograms. Feta cheese is the most popular and least expensive type of cheese available. Egyptians also are fond of Romano and processed cheese. In 2001, imports of fancy cheese such as Parmasan, Camembert and Brie are estimated at about 320 MT compared to 340 MT in 2000. This decrease is mainly attributed to the increase in import cost as a result of the recent devaluation of the Egyptian currency. Consumption of cheddar and mozzarella cheese (both natural and processed) is rising due to the increased number of fast food (pizza and hamburger) restaurants.

Prices

The average wholesale prices of Feta cheese ranged between LE 4-10 per Kg in 2001 (depending on the type), and the retail prices varied between LE 6 and LE 14 per Kg (depending on the type). The wholesale price of locally produced Romano cheese ranged between LE 13 to LE 15 per Kilo and it retailed for LE 18 to LE 21 per Kg. Imported cheddar cheese prices currently range between $1,500 and $1,550 per MT C&F compared to $2,400 and 2,500 per MT during 2001. The current price of imported fancy cheese from Europe varies between $5,000 and $12,000 per MT C&F depending on the type of cheese. Gouda and Edam cheese are currently being imported at $3,200 and $3,000 per MT CIF, respectively, while retail prices range between LE 20 and LE 24 per Kg, respectively. Imported fancy cheese such as Old Amsterdam, Parmesan and Camembert sell at between LE 80 and LE 110 per Kg at the retail level.

Trade

The private sector is responsible for virtually all of Egypt's cheese imports. Netherlands, Australia and New Zealand continue to be by far, the major cheese suppliers to the Egyptian market. Import demand is generated largely by the more affluent segments of the population, tourism sector, hotels and restaurants. According to Egyptian import statistics, cheese imports in 2001 are 9,067 MT compared to 14,625 MT in 2000. The decrease in imports is mainly due to the devaluation of the Egyptian pound against the U.S Dollar, which makes imports more expensive. Egypt's total cheese exports in 2001 are estimated at about 3,000 MT or about 1,000 MT over the 2000 level. Most of Egypt's cheese exports consist of feta cheese.

The European Union (EU) is by far the major fancy cheese supplier to the Egyptian market. Import demand for fancy cheese is generated largely by the more affluent segments of the population, while demand for other imports such as cheddar cheese is generated by growing domestic precessed cheese manufacturers. Further decline in cheese imports are expected in 2002. The projected decrease in imports is expected to occur due to expected continuation of high import costs resulting from weak Egyptian pound against the Dollar, and higher FOB prices.

The Eu-Egyptian Partnership Agreements which was signed in June 24, 2001, will offer several important tariff concussions for European dairy suppliers when the it is implemented. However, European cheese exporters are not expected to gain much from the Agreement. According to the Agreement (Annex to protocol 2), Egypt will only allow 2,000 MT tariff rate quota (TRQ) at 50% of the basic tariff for cheese and curd products from the EU. The following types of cheese products will be included in this TRQ

- 04061090 fresh cheese in packages over 20 Kg.
- 04062090 Grated or powdered cheese over 20 Kg.
- 04063090 Processed cheese over 20 Kg.
- 04064090 Blue veined cheese over 20 Kg.
- 04069090 other cheese over 20 Kg.

Both the EU and Egypt must ratify the agreement before it can be implemented. This is expected to occur within the next two years.

Import Trade Matrix

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	2000		2001
U.S.	103	U.S.	65
Others		Others	
Netherlands	5,473	Netherland	4,581
Australia	3,365	Australia	1,090
New-zeland	2,289	New-zeland	1,008
Total for Others	11127		6679
Others not listed	3,395		2,323
Grand Total	14625		9067

Tariffs

The current tariff rates for imported cheese are as follows:

All cheeses, packaged under 20 kilograms are subjected to a 30 percent tariff, while all cheese, packaged over twenty kilograms are subjected to a 10 percent tariff. There is an additional 3 percent customs service fee, and one percent sales tax. Most cheese imports are in 20 Kg packages.

It usually takes about three weeks for imported cheese to be released by Egyptian import authorities. Most of that time is taken up by the reviews of the certifications required by the Ministries of Health, Agriculture, and Economy & Trade. The shelf-life requirement for imported cheese is between 6 months and one year depending on the type of the product.

Marketing Opportunities for U.S. Cheese Export

The primary suppliers of cheese to the Egyptian market are New Zealand, Australia and the European Union. Opportunities for U.S. cheese exports to Egypt exist but they are limited due to lack of price competitiveness specially under the new EU subsidy program. Local traders are reporting that the EU is currently paying 1,850 Euros per MT of its exported cheese. Although price is an important factor for cheese importers, there is a growing segment of consumers where quality comes before price considerations when buying cheese. The average Egyptian consumer is not aware of the different types of cheese available from the U.S. However, the availability of the DEIP program for U.S. cheddar cheese could be a very significant factor in expanding U.S. cheese exports (particularly cheddar cheese for manufacturing) in the Egyptian market.

Butter

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Butter					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	0	0	0	0	0	0
Production	11	12	12	12	0	12
Intra EC Imports	0	0	0	0	0	0
Other Imports	50	45	50	40	0	45
TOTAL Imports	50	45	50	40	0	45
TOTAL SUPPLY	61	57	62	52	0	57
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	61	57	62	52	0	57
TOTAL Use	61	57	62	52	0	57
Ending Stocks	0	0	0	0	0	0

TOTAL DISTRIBUTION	**61**	**57**	**62**	**52**	**0**	**57**
Calendar Yr. Imp. from U.S.	**0**	**0**	**0**	**0**	**0**	**0**
Calendar Yr. Exp. to U.S.	**0**	**0**	**0**	**0**	**0**	**0**

Production

A very small amount of butter is produced in Egypt on a commercial scale. Most local production is produced by farmers for home consumption, with a small amount of this production marketed locally at weekly village markets. The lack of a significant domestic butter industry in Egypt is due to several factors. The most important factor is the rapid increase in the production of lower price ghee (shortening) produced from palm oil which has decreased the incentive to produce local butter. In addition, the lack of adequate refrigeration throughout the country makes the conversion of butter to butter oil and ghee a real necessity.

Consumption

Egyptians prefer butter made from buffalo milk to butter made from cow milk due to its distinctive flavor. They also have a preference for unsalted butter as opposed to salted butter. Only a small quantity of butter is consumed in solid form. This limited quantity is primally sold at up-scale supermarkets. Butter is mostly used as an ingredient in baked goods or in fried foods. Both locally produced and imported butter are melted and stored in the form of butter ghee. That allows it to be kept without refrigeration for as long as 9-12 months. Butter ghee is preferred to vegetable oil for cooking. Because imported butter oil tends to cost a bit more than imported butter, most people buy butter and convert to butter oil at home. Imported butter is available throughout the year. However, demand generally increases during the holidays, especially during the fasting month of Ramadan where 20-30 percent of total annual production is consumed.

Prices

The average import price for butter is currently between $ 1,050 and $1,100 MT/CIF, compared to $1,350 and $1,400 in 2001. This is mainly due to the large exportable surplus from Australia and New Zealand (major butter suppliers to the Egyptian market). According to importers, the current retail price for the 25 Kg carton has increased to LE 185 reflecting higher import costs due to the devaluation of Egyptian Pound. This is compared to LE 170 during the same period in 2001.

Trade

New Zealand, Australia and the Netherlands are the major suppliers of butter to Egypt. Small amounts of butter were also imported from Denmark and Brazil in 2001.

Total Egyptian butter imports in 2001, decreased to about 45,000 MT, from 49,850 MT in 2000. Trade sources estimate that Egyptian butter imports in 2001 included about 6,500 MT of butter oil, most of which came from New Zealand, Australia, and France. In recent years, the U.S. market share in the Egyptian butter market has been nil. The decline in U.S. market share was mainly due to the high prices of U.S. butter (in the absence of the DEIP program) compared to that of other suppliers from New Zealand and Australia. Egypt's total butter imports from January 2002 through September 2002 are estimated at 28,000 MT. Trade sources reported that imports of butter and butter oil during 2002 will likely remain at or near the 2001 level.

Under the EU- Egypt Partnership Agreement, butter, other fats and oils derived from milk, dairy spreads (0405) and other products that fall under heading (04050090) in packages of more than 20 Kg, will enter Egypt without duty two years after the Agreement is ratified. In addition, import tariffs on European processed dairy products that fall in HS cods 0403, 04031000, 040390, 04039091, 04039099, 0405 and 04050010 will be reduced in three stages following the implementation of the Agreement:

- 5 percent reduction at basic duty two years after implementation.

- 10 percent reduction of basic duty three years after implementation.

- 15 percent reduction of basic duty four years after implementation.

Moreover, European suppliers will receive a 5000 MT tariff rate quota (TRQ) of butter and other fats (04050090) at 25 percent tariff reduction of basic duty from the applied tariff.

Most butter is imported in 25 Kilograms blocks and then re-packaged for sale to grocers and supermarkets. The shelf-life for both imported and locally produced butter stored under appropriate conditions is 18 months. For butter oil the shelf-life is two years. According to importers, it takes between 15-21 days to obtain all of the necessary certificates to clear incoming shipments of butter and butter oil at Egyptian ports.

Import Trade Matrix

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	2000		2001
U.S.	0	U.S.	0
Others		Others	
New Zealand	19,811		22,010
Australia	15,608		5,666
Mexico	2,349		4,559
Poland	1,915		2,490
Ireland	1,782		1,673

Finland	1,124		
Total for Others	42589		36398
Others not listed	7,261		9,032
Grand Total	49850		45430

Factors affecting U.S. exports

The absence of the Dairy Export Incentive Program (DEIP), U.S butter is not competitive in this market. Although Egyptian importers of dairy products have a very favorable opinion of U.S. butter quality, they indicate that price is the most important factor that influences their decision.

The EU countries maintained their butter export restitution and their market share in 2001(reportedly about $1,200 per MT). Not withstanding high prices, Egyptian importers cite three other factors that lead them to import from non-U.S. origins. They include the quality of packing cartons, high moisture content and the white color of U.S. butter, compared to the yellow color from U.S. competitors.

Tariffs

The current import tariffs on butter and other fats and oils derived from milk are as follows:

1-In containers up to 20 Kg 15 percent
2-Other 5 percent

In addition, there is a 3 percent customs service fee and 1percent sales tax.

NoN Fat DRY Milk

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Milk, Nonfat Dry					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	15	24	14	27	0	30
TOTAL Imports	15	24	14	27	0	30
TOTAL SUPPLY	15	24	14	27	0	30
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	15	24	14	27	0	30
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	15	24	14	27	0	30
TOTAL Use	15	24	14	27	0	30
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	15	24	14	27	0	30
Calendar Yr. Imp. from U.S.	0	0	0	11	0	5
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Egypt has no milk powder production. Imported non-fat dry milk (NFDM) and whey powder is used mainly for the production of feta cheese, yogurt and ice cream. Small quantities of NFDM and whey are also utilized in the production of chocolate and pastries. Limited quantities of full fat dry milk are also imported and sold for direct human consumption.

Consumption

Non-fat dry milk (NFDM) is used mainly for making feta cheese, yogurt, ice cream as well as chocolate and pastries. The consumption of milk powder declined in 2000 following the GOE's imposition of 45 percent safeguard duty in September 2000. The government replaced its 45 percent safeguard duty with reduced tariffs over the next three years. A 15 percent safeguard duty was applied for the first year (4/12/01 to 4/11/02). Safeguard tariff was reduced to 7 percent during the second year (4/12/02-4/11/03) before finally being reduced to 3 percent in the third year (4/12/03-4/24/03). Increased fluid milk production is anticipated later this year and next year in order to fill the gap created by lower imports. Moreover, powdered milk import prices have increased substantially due to the devaluation of Egyptian Pound against the Dollar ($1= LE 4.62).

Trade

All of Egypt's dry milk requirements are virtually imported by the private sector companies. According to official trade data, total imports of powder milk in 2001 declined by about 4 percent. However, despite the devaluation of Egyptian pound against the U.S dollar and the general economic slow down, it is expected that NFDM imports will recover and reach 27,000 MT. This expected increase is due to the decrease in export prices coupled with government's reduction of the safeguard duty from45 percent to 15 percent. Poland, New-Zealand, Sweden and the US are the main suppliers of milk powder to Egypt. Egyptian NFDM imports from the U.S. in 2001 decreased to 2,550 MT compared to 6,623 MT in 2000. All of the U.S. sales were under the DEIP program. The average import price for non-fat dry milk from the US and Poland is currently $2,158 and $ 1,733 per MT/CIF compared to about $2,200 and $ 2,090 per MT/CIF respectively, during October 2001.

The shelf-Life for imported NFDM into Egypt is two years. It normally takes between 15-21 days to release a NFDM consignment through Egyptian customs. The current import tariffs on NFDM are as follows:

Milk and cream not containing added sugar, packages over 20 kilogram: 15 percent + 5 percent of CIF value.

Import Trade Matrix

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	2000		2001
U.S.	6,623	U.S.	2,553
Others		Others	
Poland	2,663	Poland	4,782
Sweden	2,311	New Zealand	3,845
France	2,302	Sweden	2,941
Australia	1,783	Russia	1,261
United Kingdom	1,507	Denmark	1,124
Total for Others	10566		13953
Others not listed	10,811		7,721
Grand Total	28000		24227

Factors affecting U.S. Exports:

European powdered milk suppliers are expected to gain a slight advantage over other suppliers when the EU-Egypt partnership Agreement , which was signed in June 24, 2001, is implemented after ratification within the next two years. When the Agreement is ratified, Egypt will eliminate import tariffs on European products that fall in the following HS codes:

- 04021010 Powdered Milk Fat N.Exced 1.5% for Infa.
- 04021091 Powdered Milk Fat N.Exced 1.5% Pack=or more than 20 Kg.
- 04022110 Powder Milk Conc. Fat Exed 1.5% N.Swetend.
- 04022910 Powder Milk Fat more than 1.5% Pack =More 20 Kg Conc.
- 04022991 Milk Not Powdered, Sweetened .

Most if not all packages must be in packages over 20 Kg in order to benefit from the tariff preference. Assuming that the safeguard duty will end by September 2003, the applied import tariff on NFDM will return to 5percent.